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SIPDIS

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TAGS: [EAID](#) [SOCI](#) [PHUM](#) [TU](#)
SUBJECT: INCOME INEQUALITY DECREASING IN TURKEY, BUT
RURAL POVERTY INCREASING

REF: 05 ANKARA 7513

¶1. (SBU) Summary: According to updated data for 2004, the share of the population living in poverty in Turkey decreased from 28.12 percent to 25.6 percent. The data also shows a growing city/countryside divide as urban poverty declines and rural poverty increases. Contrary to widespread perception, the income gap between Turkey's poorest and the richest has narrowed during the recovery from the 2001 economic crisis, leading to a growing middle class. Over the past 20 years, the data shows a striking reduction in income inequality. End Summary.

Overall Poverty Rate Drops; Purchasing Power Increases

¶2. (SBU) A recently released Turkish Statistical Institute (TUIK) official study, based on the results of a 2004 Household Budget Survey, reported that the incidence of poverty declined from a peak of 28.1 percent in 2003 to 25.6 percent in 2004. TUIK defined poverty as monthly income under 429 million old Turkish Lira (about \$318) for a family of four. On a purchasing power-adjusted basis, the number of people living on \$4.3 or less per day also fell, from 23.8 percent to 20.9 percent. By a measure of more extreme poverty, however, the percentage of the population living on less than \$2.15 per day increased slightly to 2.5 percent.

Growing Urban-Rural Divide...

¶3. (SBU) Despite an overall drop in poverty throughout Turkey in 2004, the gap between the urban and rural poverty rates (which includes both food and non-food expenditures) continued to increase. According to TUIK statistics, the percentage of the urban population living in poverty fell by six percentage points to 16.6 percent, while the rate in rural areas increased to nearly 40 percent. The urban population below the poverty line fell from 9.4 million to 7.1 million while the rural population below the poverty line grew from 10.1 million to 10.8 million.

	% of Population Below Poverty Line	
	2003	2004
Turkey	28.1	25.6

Urban	22.3	16.6
Rural	37.1	40.0

14. (SBU) The gap in education levels continues to be the driving factor in income inequality. In 2004, the poverty rate among the unemployed was 27.4 percent, while the rate for those formally employed was 10.4 percent. According to the TUIK report, the poverty rate among university graduates was 1.3 percent, while 45.1 percent of the illiterate population fell under the poverty line. Morgan Stanley reports that the lowest quintile of households accounts for 1.2 percent of spending on education, whereas the highest quintile accounts for 69.1 percent.

...and a Growing Middle Class

15. (SBU) Although the divide between the poverty rate among the urban and rural populations grew in 2004, Turkey's Gini coefficient (an indicator of the degree of income inequality) improved from 0.49 in 1994 to 0.42 in 2003 and 0.40 in 2004. (The Gini coefficient is a number between 0 and 1. Zero corresponds to perfect equality, with everyone having the same income, and 1 corresponds to perfect inequality, with one person having all of the income. As a means of comparison, according to the 2005 United Nations Human Development Report, the US has a Gini coefficient of 0.41, while France's is 0.33 and Brazil's is 0.59.) Although there is still a vast gap between the incomes

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